

CHAPTER 19: REPORTING REMAINING PRINCIPAL BALANCES

19-1: OVERVIEW OF CHAPTER

Once a month, each issuer is required to report to Ginnie Mae, as of the issuer's monthly reporting cut-off date, the aggregate remaining principal balance (RPB) for each of its pools and loan packages. Ginnie Mae uses this RPB data to compute for each pool a "factor," which is used to determine the portion of the original principal amount of the pool securities that will remain outstanding after the next payment is made on them. These factors are used by securities dealers, investors, and others involved in trading Ginnie Mae securities and to allocate properly among classes of Ginnie Mae REMIC securities the monthly cash flows on the underlying Ginnie Mae MBS. It is essential, therefore, that each issuer report its RPBs accurately.

This chapter describes the reporting guidelines for all pool and loan package types and the general procedure for reporting RPBs. This is followed by discussions of (A) three methods that can be used, depending on the number of pools and loan packages involved, for making monthly RPB reports, (B) the process by which the CPTA monitors RPB reports, and (C) the method and required timing for making corrections to RPB reports.

19-2: RELATIONSHIP BETWEEN RPB REPORTS AND PAYMENTS ON THE SECURITIES

Each issuer is required to submit an RPB report for each of its pools and loan packages, other than construction loan pools, no later than the second business day of each month. An issuer may correct an RPB report on or before the fifth business day of the month.

The Ginnie Mae I MBS issuer must pay security holders, and the Ginnie Mae II MBS issuer must provide funds to the CPTA for payment of security holders, each month based on the RPB reported for the related pool or loan package on or before the fifth business day of the month, even if the issuer's reported RPB is incorrect. In addition, each of the issuer's monthly accounting reports must agree with the RPB reported for the related month. If an error is found in a reported RPB after the fifth business day of a month, it may not be corrected.

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19-3: RPB REPORT IDENTIFICATION NUMBER

When making the report, each issuer must use a preassigned 10-digit RPB Report Identification Number, which is made up of four parts:

- (A) the Ginnie Mae identification number, which is the same for all issuers: 0783;
- (B) the 4-digit Issuer Identification Number assigned by Ginnie Mae;
- (C) the letter "A", which is the designation for Ginnie Mae I MBS reports, or the letter "B", which is the designation for Ginnie Mae II MBS reports; and
- (D) a computer check digit provided by the CPTA.

The issuer may obtain or confirm its number from the CPTA (see Addresses).

19-4: REPORTING PROCESS

Following is an outline of the RPB reporting process.

- (A) The issuer calculates the RPB for each pool or loan package as of its monthly reporting cut-off date for the preceding month (see Sections 17-3 and 19-5).
- (B) The issuer reports its RPBs to the CPTA's contractor (the RPB contractor) no later than the second business day of the month. RPB reports sent by GinnieNET 5.2 or computer-to-computer must be transmitted such that the transmission is completed no later than 7:00 p.m. (New York City time). If the issuer reports its RPBs using magnetic tape, it must send the magnetic tape by overnight courier, and the tape must be received by the RPB contractor prior to 4:00 p.m. on the second business day of the month.
- (C) The RPB contractor receives the reports, assembles the data, and reports it to the CPTA.
- (D) The CPTA edits the data. If there are edit failures, the CPTA notifies the issuer by overnight courier sent on the third business day of the month (see Section 19-7).

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Section 19-4 (continued)

- (E) The issuer must correct the error and report the correction by GinnieNET 5.2 transmission completed prior to 7:00 p.m. (New York City time) by the fifth business day of the month (see Section 19-8).
- (F) If an issuer discovers prior to 7:00 p.m. (New York City time) on the fifth business day of the month an error in previously reported RPB data for that month, the issuer must report an RPB correction immediately (see Section 19-8).
- (G) If the issuer is unable to correct an error described in (E) or (F) by 7:00 p.m. on the fifth business day of the month, it may not make the correction.

19-5: AGREEMENT OF RPB REPORT WITH MONTHLY ACCOUNTING REPORT

If the RPB is wrong and is not corrected by the fifth business day in the manner described in this chapter, the payment to security holders must be based on the reported RPB. The issuer must use its own funds to make up any shortfall.

The RPB in Ginnie Mae's data base as of the fifth business day of the prior month will be used by Ginnie Mae to compute the guaranty fee for Ginnie Mae II pools and loan packages.

The amount reported at Section 3, Line D of form HUD 11710-A (Appendix VI-4), which must be submitted by the 10th calendar day of each month, must be identical to the RPB reported through the fifth business day of the month (see Section 19-8). For example, the cut-off balance submitted by April 10 on the form HUD 11710-A for March must be identical to the RPB reported for March on the second business day of April (as corrected through the fifth business day of April). If the amounts are not equal, the issuer must report a corrected cut-off balance for the form HUD 11710-A by April 15 that equals the reported RPB. (See Section 17-4(B)(2))

19-6: METHODS OF REPORTING RPBS INITIALLY

Each issuer must submit its RPB report each month in electronic form. Three methods are available: GinnieNET 5.2, computer-to-computer transmission, and magnetic tape.

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Section 19-6 (continued)

(A) *GinnieNET 5.2 Reporting*

The issuer must follow the instructions for reporting RPBs included in the *GinnieNET* Issuer Guide or on the appropriate *GinnieNET* 5.2 screen. The transmission for all pools and loan packages must be completed by 7:00 p.m. (New York City time) of the second business day of each month. A single *GinnieNET* 5.2 transmission cannot be used to report RPBs for more than 100 pools and loan packages, and so an issuer that wishes to use *GinnieNET* 5.2 to report RPBs for 101 or more pools and loan packages must make multiple transmissions.

(B) *Computer-to-Computer Reporting*

The format for computer-to-computer reporting must follow that shown in Appendix VII-1, pages 2 through 4, and the transmission must be completed no later than 7:00 p.m. (New York City time) of the second business day of each month. The preferred speeds are 2400 or 4800 baud.

For more information on computer-to-computer reporting, issuers may telephone the RPB contractor (see Addresses).

(C) *Magnetic Tape Reporting*

The format for magnetic tape reporting must be that shown in Appendix VII-1, pages 2 through 4. Magnetic tapes must be accompanied by a transmittal form in the format shown in Appendix VII-1, page 1. The tape must be sent by overnight courier to the RPB contractor and received prior to 4:00 p.m. (New York City time) on the second business day of each month.

For more detailed information on magnetic tape reporting, issuers may telephone the RPB contractor (see Addresses).

19-7: MONITORING RPB REPORTING

RPB data are edited by the CPTA to determine that, from one month to the next, RPBs do not increase (except for GPMs), do not remain constant, and do not decline in excess of Ginnie Mae-defined tolerances. Edit failures are of two types: unacceptable RPBs and alerts of possible error.

If a Ginnie Mae pool RPB fails an edit, the CPTA will notify the issuer by overnight courier sent on the third business day of the month and specify the type of edit failure. An issuer must respond to a notification that it receives prior to 5:00 p.m. on the fifth business day as follows:

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Section 19-7 (continued)

(A) Unacceptable RPBs

- (1) If an unacceptable RPB requires a change:

The issuer must report the correction using GinnieNET 5.2 (see Section 19-8). The transmission must be completed no later than 7:00 p.m. (New York City time) on the fifth business day of the month and correct the report as described in Section 19-8. Failure to respond to an unacceptable RPB notification by the required time will mean that the issuer must make payment on the securities in accordance with the reported RPB.

- (2) If an issuer is notified that an RPB is unacceptable but in fact the RPB is correct:

The issuer must so inform the CPTA by GinnieNET 5.2.

(B) Alert of Possible Error

If alerted about a possible error, the issuer must review the RPBs in question. If the issuer concludes that a correction is required, the issuer must report the correction using GinnieNET 5.2 (see Section 19-8), and the transmission must be completed no later than 7:00 p.m. (New York City time) on the fifth business day of the month. If the issuer concludes that no change is required, the issuer need not report that conclusion to the CPTA.

19-8: CORRECTIONS

If an issuer discovers an error in an RPB between the sixth business day, inclusive, and the payment date, in the case of Ginnie Mae I pools, or the date when the issuer must deposit funds to the central P&I custodial account, in the case of Ginnie Mae II pools, the issuer nevertheless must pay security holders or make the deposit, as applicable, based on the RPB reported on or before the fifth business day, as corrected through the fifth business day.

(A) Changes or Corrections

Even if an issuer has not received notification from the CPTA of a possible error, it may change or correct an RPB report by transmitting the correction to the RPB contractor using GinnieNET 5.2 (see Section 19-8(C)). The transmission must be completed no later than 7:00 p.m. on the fifth business day of the month.

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Section 19-8 (continued)

(B) Reporting by GinnieNet 5.2

Except as provided in Section 19-8(C), corrections to an RPB report must be made using GinnieNET 5.2. Data for not more than 100 pools or loan packages can be corrected with a single GinnieNET 5.2 transmission. If the issuer must report more than 100 corrections, it must make multiple GinnieNET 5.2 transmissions.

(C) Computer-to-Computer Reporting

If an issuer finds it necessary to report corrected RPBs on more than 100 pools and these pools constitute a substantial majority of its portfolio of pools, the issuer must contact the CPTA (see Addresses) for instructions. Depending on the circumstances, the CPTA may instruct the issuer to retransmit using computer-to-computer transmission all of the issuer's pool data (including correct data that was submitted in the initial RPB report). In this case, the second transmission must be completed no later than 7:00 p.m. (New York City time) of the fifth business day of the month.

19-9: PENALTIES

Issuers that fail to report RPBs accurately and timely or fail to pay security holders or make deposits into the central P&I custodial account based on the reported RPBs will be subject to a letter of reprimand for the first occurrence in a calendar year and to other penalties for subsequent occurrences.

19-10: GINNIE MAE II MBS PROGRAM: PRENOTIFICATION OF ACH DEBIT AMOUNTS

Each month the CPTA will provide to each issuer of Ginnie Mae II MBS whose RPB report has been received by the second business day of the month a prenotification of the amount that will be withdrawn from the issuer's central P&I custodial account in that month.

Issuers must verify and correct information contained in the prenotification report prior to 5:00 pm, New York time on the fifth business day of the month in which it is received.